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W H E A T M A R K E T I N G I N
W E S T E R N C A N A D A.

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Foreword.

It was originally intended to deal with the subject under three main headings: (1) The part played by the government in wheat marketing; (2) The part played by private agencies in wheat marketing, and (3) The part played by co-operative agencies in wheat marketing. It was found, however, that a development of the subject along these lines would lead far beyond the limits expected of an M.A. thesis. Any one of these headings presents a very wide field for study and investigation. It has been found necessary, therefore, to confine the thesis to the first of these topics, The Part played by Government in relation to Wheat Marketing in Canada.

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CHANGED CHARACTER OF AGRICULTURE.

Over a large part of the world's history man has lived in what may be called a state of self-sufficing economy. Even at the present time this is true of the majority of mankind. The self-sufficing stage of economy persisted among the patriarchal and tribal periods of western civilization and characterized the life of the Roman, Frank and English farmers down to the time of the industrial revolution. Changes had no doubt been gradual up to that time, but so far as a given generation of people were concerned, conditions were relatively permanent until within a century and a half ago.

In the new world as in the old, farm products were produced almost entirely for local, if not home consumption. Except along the border of waterways, grain was hardly marketable until two centuries after cultivation was begun. Even if grain had been transportable European markets would stand almost no strain in the way of added cereals, because European people were producing their own, and had not even contemplated the modern degree of national specialization and international marketing wheat which makes Europe to-day so largely dependent upon the wheat fields of the western world.

It was the industrial revolution which shook the world out of its age-long simplicity and made the development of markets imperative. The concentration of a large part of the world's population in cities, together with the necessary accompaniment of tremendous improvement in transportation facilities, gave the farmer an opportunity to produce for money, instead of merely to sustain himself and his family.

The change and development in agriculture thus started by the industrial revolution was fostered and encouraged by the offer of free

land in form readily available for agricultural production in what are now the great wheat exporting centres of the world: Argentine, United States, Canada and Australia. One factor has helped to develop the other. Concentration of population in large centres made possible the production of farm products for sale. Abundance of free or cheap land, combined with improved means of transportation encouraged and made possible still greater concentration of population in great cities.

Growth in Volume of Wheat Exported.

As a result of the changed nature of agriculture and of the improved transportation facilities and opening up of new wheat producing areas, there has been a remarkable growth in the volume of wheat exported from Canada. On April 26th,1922, James A.Richardson,President and General Manager of the James Richardson & Sons,Limited,Grain Merchants and Grain Exporters, stated before the Select Standing Committee on Agriculture and Colonization, that the business of which he was the head, had shipped to Liverpool in the winter of 1884 the first shipment of Western Canadian wheat exported from this continent. He stated that the shipment had been in the nature of an experiment, and the experiment had proven to be an exceedingly costly one for the exporting firm.

The following table, taken from the Canada Year Book, shows the value in dollars, of wheat exported from Canada during the years 1885 to 1923 to all countries: (For the sake of brevity, only the figures for every fifth year have been set down).

1885	$1,966,287
1890	388,861
1895	5,359,109
1900	11,995,488
1905	12,386,742
1910	49,741,350
1915	71,913,385
1920	185,044,806
1923	252,145,804

The year 1918 was larger than any of those listed, showing a total of $366,341,565 worth of wheat exported.

The figures listed are for export of wheat alone. During the same years export of flour showed as great, though hardly a proportionate increase. In 1884 wheat flour to the value of $1,025,995 was exported from Canada. In 1923 this had grown to wheat flour exports to the value of $94,262,928.

It has already been stated that the first trial shipment of wheat from Western Canada was made in 1884. The following table shows the number of cars of grain inspected in Winnipeg from 1900 onwards:-

	Cars
1900	32,575
1905	40,395
1910	114,997
1915	122,626
1920	204,600
1923	356,346

Growth in governmental interference and regulation has been in direct ratio to the growth in volume and complexity of the grain trade itself. This growth of governmental interference has been in response to popular demand, is in harmony with the best economic thought of the times.

Professor J.S.Nicholson in Boo V of his Principles, which deals with the economic functions of government, has this to say in Chapter IV- "There are . . . . failures of individualism which call for the repression or curtailment of the freedom of individuals, and other defects which the unaided self-interest of individuals is unable to remedy. To meet these defects and failures a prima facie case is presented for governmental interference. Whether or not the case for interference proves to be on the whole advantageous will depend partly

on the kind of interference required and partly on the limitations, general and particular, imposed on governmental action.

The methods of governmental interference may be divided into two great groups. First, the government may regulate the action of individuals by providing and enforcing a system of positive law: and secondly, the government may itself perform certain economic functions."

Growth in the development of governmental interference in grain marketing in Canada has been along the lines stated by Professor Nicholson. On the one hand we have a steady growth in the enactment of positive law, beginning with the Manitoba Grain Act in 1900, expanded into the Canada Grain Act in 1912, and receiving yearly amendments and additions since that date. On the other hand the pressure of public opinion, and urged chiefly by farmers' organisations, we find an increase, but by no means a steady increase in government ownership or operation when the actual economic function is performed by governmental agents.

The large percentage of the people of Canada, especially of Western Canada, engaged in the production of grain, the comparatively small number of middlemen through whose hands an immense volume of grain passes, the special rights granted to railway companies transforming these agencies into a form of public trust, all have contributed to greatly increase the extent and variety of governmental interference and operation as the following pages show.

The Board of Grain Commissioners

The Canada Grain Act of 1912, with subsequent amendments, embodies existing legislation in Canada relative to the marketing of grain. The actual administration of this Act is in the hands of the Board of Grain Commissioners, responsible to the Minister of Trade and Commerce. The Board consists of three members appointed for ten years, with headquarters at Fort William. The duties of the Board of Grain

Commissioners, as already stated, is the administration of the Canada Grain Act; duties which may be subdivided, according to Dr R.Magill, under three main heads:- administrative, commercial and judicial.

"Under the heading of administrative work come the inspection, grading and weighing of grain. Under this heading comes also the licensing and tending of elevator operators, fixing the tariffs for the handling of grain, and the work of registration and cancellation of receipts at terminal elevators. Administrative work also includes the collection and compilation of grain statistics.

Commercial work of the Board includes the erection and operation of government-owned public terminals. The Board has under its control and management the government-owned public terminal at Port Arthur, which has a capacity of 3,250,000 bushels. It has, in addition, elevators at Saskatoon, Moose Jaw, Calgary and Vancouver. The total capacity of government-owned and operated public terminals is 15,700,000 bushels.

Judicial work of the Board of Grain Commissioners includes the investigation of complaints regarding the grading, weighing, dockage of grain. For the carrying out of the work the Board may hold sittings, summon and examine witnesses and compel the production of all books and documents relating in any way to the matter under complaint. It has power to suspend or dismiss elevator operators, withdraw licenses and institute proceedings at the expense of the government."

To etter understand the operations of the Board of Grain Commissioners, which is really the operation of state or government control, as it affects the individual farmer, it might be well to consider the marketing of wheat step by step as it leaves the wagon of the farmer until it is loaded for export and passes out of the control

or supervision and administration of the Board of Grain Commissioners.

At the Country Shipping Point.

In the method of disposal of the grain at his local shipping point, a farmer ordinarily has the choice of shipping over a loading platform, or through a privately or co-operatively owned elevator.

Loading Platform: Should the shipping point not be equipped with a loading platform, the farmer has only to make application, signed by ten resident farmers, to the Board of Grain Commissioners, who will investigate the need, and may order the railway to construct a loading platform at that point. The demand for this provision in the Canada Grain Act grew out of intense dissatisfaction in the early days with the treatment received from elevator companies in the matter of weighing, grading, docking, price setting and elevator tariff. By having access to a loading platform a farmer exercises a salutory check on the operation of elevators, and in addition saves himself a considerable sum in elevator charges, and also leaves himself free to sell his grain to a track buyer, or consign to a commission house, as he may desire.

When loading platforms were first instituted, much of their value was lost to the farmer by favouritism shown by the railroads in their distribution of cars. When a farmer was ready to load his car he found that all available cars had already been allocated to elevator companies, and his hard won right to load his own grain was of no value to him because of lack of car space.

The Car Order Book: To remedy this injustice legislation was passed and is incorporated in the Canada Grain Act. Under this provision of the Act every shipper of grain is to count for one, and no shipper of grain is to count for more than one. The railway agent is now required to keep in a public place, a car order book in which

applicants for cars shall enter their order. A shipper may not order a second car until his first one has been delivered, and then takes his turn at the bottom of the waiting list should there by a car shortage. The Board has also power to order the railways to make a more equitable distribution of empty cars to shipping points with the object of preventing railways from giving special attention to the needs of points where there may happen to be active railway competition, permitting a shortage of cars to arise at points where there is little or no competition.

The Report of the Royal Grain Inquiry Commission (The Turgeon Report) submitted January 7th,1925, states in connection with the question of regulating the supply of cars: "In 1922 and 1923 the Canadian Pacific Railway received from the Board of Grain Commissioners two complaints. For the crop year 1923-24 six complaints were received from the Board of Grain Commissioners and two from the Board of Railway Commissioners. On the basis of between seven and eight hundred stations to be supplied with cars it is evident that complaints are comparatively few, and that where complaints do arise, the law as it stands provides a method of dealing with them promptly."

The Country Elevator: Should the farmer so decide he may ship his grain through the channels provided by the country elevator, thereby incurring an expense of 1½¢ per bushel, but saving himself the labor of securing and loading his car, and also providing himself with insurance for the safety of his grain and documentary evidence if the amount and grade shipped should there be loss in transit. The charge of 1½¢ per bushel includes weighing, handling, loading into car, insurance against loss by fire and free storage for fifteen days. After this storage costs 1/30th of one cent per day.

A provision of the Canada Grain Act of particular interest to the farmer is that the elevator operator is compelled to receive grain for shipment without discrimination as to persons during reasonable and proper business hours. The farmer is further entitled to free access to the scales while his grain is being weighed. He may demand and is entitled to receive for his grain either (a) a cash purchase ticket; (b) a warehouse storage receipt, or (c) a receipt for special binned grain, provided the elevator has facilities at the time for special binning of the grain. Should the farmer be satisfied with both grade and price offered, he will probably accept the cash purchase ticket; that is he will sell his grain outright to the elevator company. Should he be satisfied with the price offered, but dissatisfied as to grade, he may accept the warehouse storage receipt which practically means selling to this particular company subject to grade and dockage to be fixed by the government inspection department. Should the farmer prefer to maintain the identity of his grain and preserve the right to sell his grain to whomsoever he may wish, he will accept the third alternative and accept a ticket stating that the grain is being stored in special bins, for which the farmer must pay storage.

Railway Transportation.

When the car is loaded whether over the loading platform or through the elevator, the farmer deals for the time being with the railway company in regard to transportation, and here again his rights are protected and the duties of the railroad company, as a common carrier, clearly defined in the Railway Act.

Railway companies are permitted by statute to make special charges to the shipper of grain for special services. One of these special services is the bulkheading or partitioning of cars to permit

two or more varieties of grain to be carried in one car. Other special charges are for stopover privileges for the car of grain if diverted to a destination off the main line of travel east and west, and a charge of $1.00 per day for demurrage, or holding of the car for loading or other purposes for more than twenty-four hours.

The chief item of expense is the freight charge which is set under the Crow's Nest Pass Agreement at a fixed rate per 100 pounds, and is based upon distance from Fort William. In the tariff for grain the stations on various railways or different branches of the same railway are classified into groups, generally according to distance from the same terminal point. All the stations in one group take the same rate to destination.

Due to the fact that grain is handled in bulk and in very large quantities, the freight tariff is lower than on any other commodity handled in Western Canada. Under the Crow's Nest Pass Agreement fixing railway tariff rates for Western Canada, one ton is carried 229 miles by rail for $1.00. A comprehensive survey made by the United States Department of Agriculture in 1907 shows the average cost of hauling by wagon to be 25¢ per ton mile, or more than fifty-seven times as expensive as by rail.

A detailed examination of the railway tariffs for grain on Canadian roads and points similarly situated in the United States on American roads shows that Canadian freight rates on grain are lower in every case than American freight rates. For instance the rate from Virden to Fort William, a distance of 600 miles, is 18¢ per hundred pounds. The rate from Berthold, N.D., to Duluth, a distance of 526 miles is 23½¢ per bushel. Other representative points show comparisons equally favorable to Canadian rates.

Government Railways: The government contributes at least one other main factor in the matter of transportation of grain in that the government itself owns and operates two of the three main railway lines operating in Western Canada, originally known as the Canadian Northern and Grand Trunk Pacific, now joined and operating under the common name of "The Canadian National". The competition of these railroads is no doubt a factor in setting the rates for freight tariffs, though whether this factor is in the interests of the shipper is not easily proven. It seems to be generally admitted that the tariff rates for freight would have been set lower than they are by the Board of Railway Commissioners, had it not been for the fact that a rate which would have meant a fair rate of profit for the Canadian Pacific Railway in the opinion of the powers behind the Railway Commission, would have meant ruin for the less fortunately situated, if not less efficiently operated Canadian National lines.

So in the matter of transportation, as well as in facilities provided at the shipping point, the government plays a large part in controlling and regulating the transportation facilities essential to the marketing of grain. Freight tariffs are set; special charges are regulated and responsibility of the railroad, as common carrier, are defined. The government further takes an active part in the active business of transportation by being owner and operator of two out of the three of the main lines of railway.

Inspection and Grading of Wheat.

The next step in the marketing of wheat, namely the inspection and grading, is by far the most important link in the chain of marketing. In order that a commodity may have a world market it is essential that it be durable, cognizable, valuable in proportion to its bulk, and in

general demand. Professor Marshall in his "Principles of Political Economy" states: "There are many special causes which may widen or narrow the market for any particular commodity; but nearly all those things for which there is a very wide market are in universal demand and capable of being easily and exactly described" (Principles, p.326)

Wheat possesses the quality of durability in that it can readily be stored without deterioration for a number of years, if necessary. This quality wheat apparently possessed as far back as the days of Joseph, who is reported to have stored wheat during the seven fat years in order to have enough to carry the Egyptians over the succeeding seven lean years.

The quality of being valuable in proportion to its bulk is not so obviously a natural quality of wheat, but due to the marvellous ease with which it may be handled in large quantities due to its capacity to flow under the action of gravity, wheat undoubtedly possesses a value in proportion to its bulk which entitles it to a world market.

It remains for a thoroughly efficient inspection system to add the quality of cognizability and to so grade the wheat that buying and selling can be carried on by parties thousands of miles apart, neither of whom have ever seen the grain they are buying or selling; neither of whom will, in all likelihood, ever see the grain in question. This is made possible by having the grain inspected and graded into standard grades, such as "No. 1 Northern", "No. 2 Northern" etc., which have, within certain limits, a recognized definite and permanent significance, making it possible for a miller to buy the grade of wheat he wants thousands of miles from his office, for delivery many months in advance.

It is obvious that the matter of grain inspection and grading is of the utmost importance, so far as establishing a world market in wheat is concerned. Grading and inspecting is equally important so far

as the individual farmer is concerned when he comes to dispose of his year's crop. Whether a farmer gets No.1 or No.2 Northern for his wheat is a matter of very great importance, so far as he himself is concerned. The quotations for Winnipeg cash prices for No. 1 and No. 2 Northern on Wednesday, April 8th,1925, were $1.54 7/8 and $1.48 5/8 respectively. The expenses of production of No.1 and No.2 Northern may be assumed to be identical, and are variously estimated by reputable authorities at anywhere from 80¢ per bushel to $1.50 per bushel. Taking the average of these figures, or $1.15 as representing the expenses of production, the difference between $1.48 5/8 and $1.54 7/8, or 6¼¢ represents an addition or subtraction of approximately 20% of his profit on his year's production and sale of wheat. It is not to be wondered at that farmers, and grain men as well, regard the grading and inspection of grain as the most vital and important step in the chain of marketing.

Grading and inspecting is entirely in the hands of a department of the Dominion Government. While not under the Civil Service Commission, the grain inspection staff is administered on a Civil Service basis. No one can be appointed as inspector or deputy inspector without passing examinations conducted by a Board of Examiners with the aid of the Chief Inspector of the Dominion. The examinations are conducted annually and are thorough practical tests of ability to grade. Usually the candidates are men who have worked up through the steps of sampler, track foreman, weigher etc. After passing the necessary examination the candidate is appointed on recommendation of the Chief Inspector. The system has the merit of having only men who have the practical experience and have been well drilled in their work,appointed as inspectors. It has the demerit that owing to the exceedingly hard physical work involved in sampling or "stabbing" as

as it is called, many of the young men with the requisite intelligence and judgment essential to the making of a first-class inspector, fall by the wayside through sheer lack of physical strength to stand the work of the sampler. Consequently the men who go up for examinations are not by any means always the type of men with the most natural aptitude for the work. A further criticism of the system in that the chief inspector has no power to promote a man who shows ability above the average. Promotion in the work is almost entirely on the score of length of service. There is not by any means sufficient scope for bringing the best men into the service, nor for recognising their ability once they are in.

Grading and inspection of grain is not only the basis of the sale of the grain, it is the basis of storing the grain as well. In order to handle and ship the grain cheaply and expeditiously, it is essential that different parcels of grain be binned together according to grade, thereby economizing elevator space and steamer space. The practice of binning large quantities of one grade of wheat together also makes it possible to maintain a more uniform average of that grade.

It is too long a story to go into all the details of the inspection system as carried out in the inspectoral department located in the Winnipeg Grain Exchange building. The chief features of the system are as follows:-

The first step in grading and inspecting the grain is that of obtaining a representative sample of the contents of the car. This is done by an organized gang of workers each performing an allotted task. The chief point of importance in the sampling is that the worker has no possible means of knowing whose car he is sampling. From seven to nine probes are made in different parts of the car by means of a

specially designed instrument capable of taking eleven separate samples in grain five feet in depth. In this way from seventy to ninety samples are obtained from the car and laid on a cloth spread at the door of the car. The foreman in charge examines the samples thus spread out, and if satisfied that the grain is reasonably uniform in quality, fills a small bag from the grain spread before him on the cloth. As it is in the power of the foreman to take the sample entirely from the poorest quality, a salutary check is exercised on the practice of "plugging" cars, or attempting to hide poor grain under good. Samples thus secured are taken promptly to the inspection rooms in the Winnipeg Grain Exchange along with sheets showing the number of the car, kind of grain, shipper, destination and other notations that may be made in regard to condition. Sheet No. 1 contains all information above noted. Sheet No.2 contains only information relative to the car number and kind of grain. Sheet No.1 is sent to the clerical officer of the Inspection Department. Sheet No. 2 is sent to the inspection laboratory. When the sample has been inspected and graded with the assistance of mechanical tests as to weight per bushel, moisture content and amount of weed seeds,etc., contained therein, the completed sheet is sent to the clerical offices where the connection cannot be made between the owner of the car and the grade. This provision is made so that the inspector, like the sampler, may have no means of knowing whose grain he is inspecting.

If the shipper is dissatisfied with the grade issued, he may ask for re-inspection. If dissatisfied with the re-inspection, he may apply for a survey by depositing a fee of $3.00 along with his application for a survey with the Secretary of the Survey Board. The Survey Board is appointed by the Board of Grain Commissioners,

and thus indirectly by the government. Members appointed to the Survey Board are usually men of long standing and experience in the grain trade. From their decision there is no appeal. If the appeal is upheld and the grade changed, the $3.00 fee is returned to the applicant.

Terminal Elevators.

By the time the grade of the grain has been fixed the car is already well on its way to Fort William or Port Arthur, if the inspection has been made in Winnipeg.

On arrival at its destination the car is inspected by a government inspector and an employee of the elevator to see that the seals are still intact, and that the car is in good condition and without leaks. On unloading, the grain is again inspected by a government inspector who checks his grade against the grade given at Winnipeg. The grain is next weighed at the top of the elevator by both a government weighman and an elevator employee on scales inspected by the Government Weighmaster's Department. After having been weighed the grain is spouted into a large bin with other grain of the same grade.

Public Terminal Elevators.

Public Terminal Elevators are allowed to do a storage business only, and are not permitted to own the wheat stored. For all grain received into storage the public terminal must issue a storage receipt, which is registered with the Government Inspector's Department. The receipt which shows the weight, grade of grain, also the name of the owner, is the official statement that the government holds the terminal elevator company responsible for the storage, in

surance and issuance of that quantity and grade of grain. No grain can be shipped from the public terminal warehouse without surrender of storage receipt from the shipping company to the government.

While in the public terminal the grain may require to be cleaned or treated for too much moisture. Both of these operations are performed under government supervision, as is also the weighing when shipping out in a manner similar to the receiving of the grain. There is, in fact, a double inspection of grain when the grain is being loaded from the elevator to the steamer to make sure that the elevator company is shipping the grade of grain called for by the storage receipt surrendered.

In the cleaning of grain and treating for moisture by means of drying, it is inevitable that there should be a difference in the amount weighed in and weighed out of the elevator. It is the business of the elevator company to make sure that it has as much grain to weigh out as it weighed in and became responsible for. It is the business of the government to make sure that the elevator does not weigh out more grain than it weighed in. The difference usually lies in a surplus of grain weighed out over grain weighed in and arises from a number of sources. Chief of these is from cleaning and drying grain. For instances, the grain may have been charged with 14% dockage. This 14% is cleaned out of the grain and the screenings are recleaned, thereby recovering good grain. The annual overage or shortage is disclosed in the annual weighup by the government inspectors. The amount of each grade of grain in store is added to the amount of the grade shipped and set off against the amount taken in.

Private Terminal Elevators.

The most acute controversies in connection with the grain trade as it exists to-day centre around the operations of what is known as the private terminal elevator. These private terminal elevators have greatly increased in number, especially since legal provision was made for sample markets. The first private elevator at the head of the Lakes was built in 1907. Two more were added in 1909 and four in 1912. In 1919-20 seventeen licenses were issued for private terminal elevators and seventeen for public terminal elevators. In 1920-21 only twelve licenses for public terminals were issued, but twenty-five were issued for private terminal elevators.

This growth in the number of private terminal elevators has undoubtedly been brought about by the introduction in 1913 of provision for sample markets in Winnipeg. Through various causes, chiefly the opposition of the railroads, the sample market has never become operative in practice. However, the Act states that mixing in private elevators may be permitted in connection with the sample markets. Accordingly, in spite of the fact that there is in reality no such thing as a sample market in Winnipeg, legally and technically there is such a market. Consequently grain bought by grade as heretofore, may now be mixed, and is now being mixed in private terminal elevators.

That there is a large profit in such mixing practices, there can be no doubt. The growth in the number and percentage of private terminal elevators alone is sufficient to prove the contention. The following table taken from the Turgeon Report, 1925, shows the possibility of profit arising from the practice of mixing:-

Western Elevator- Crop Year 1922-23

Wheat	Receipts	% of total	Shipments	% of Total
No. 1 Hard	51,613	.3	0	0
No. 1 Northern	15,097,536	80.2	16,849,886	88.8
No. 2 Northern	2,275,487	12	829,967	4.4
No. 3 Northern	1,022,713	5.4	979,246	5.1

These figures show that this particular elevator company shipped out 1,752,350 bushels more of No.1 Northern wheat than they received into storage. 1,445,520 bushels of this is accounted for by that surplus of No.2 Northern being received in over the amount shipped out. Appromixately one hundred thousand bushels of the surplus No.1 Northern is accounted for by the No.1 Hard plus the surplus of No. 3 received over the amount of No.3 shipped. The remaining, approximately 200,000 bushels, must have come from still lower grades. At a spread of three cents per bushel the surplus of No.1 Northern shipped out should mean a profit of approximately $50,000.

The Manager of the Western Elevator Company giving evidence before the Royal Grain Commission that grain graded as "Heated" had been mixed in the straight grades. He refused to divulge the actual process of mixing or blending grain, on the ground that this would reveal a "trade secret".

Those who object to the practice of mixing wheat in the private terminals and allowing a straight grade for the blend or mixture, maintain that the reputation of Canadian wheat in the Liverpool market is being damaged. Liverpool buyers find that the quality of No.1 Northern, for instance, is not as good as formerly. The consequence is that a lower price is offered. This

price is, of course, reflected back to the producer who thereby receives a lower price for his own (unmixed) No. 1 Northern than the quality warrants.

The whole question of the effect of "mixing" in private terminal elevators is very complicated and the best authorities do not seem to be agreed as to its effect on the price received by the producer. The grain trade contend that the increased demand for the lower grades causes a better price for these grades. The whole question deserves much more thorough investigation than has yet been given it, and investigation of a nature not possible to be given by a Royal Commission hearing evidence from interested parties. This question will be touched upon again under the heading of "Investigation, Research and Education."

Lake Transportation.

Transportation of grain across the Great Lakes from Fort William to the chief Canadian ports- Colborne or Midland, or to Buffalo, the chief American port, is in the hands of steamship companies and little, if at all, under the control of the government. considerable dissatisfaction has arisen from time to time over the charging of exorbitant rates on grain to all ports, and over the fact that a lower rate is charged from Fort William to Buffalo than from Fort William to Colborne or Midland, though the distance is considerably greater. The reason given for this arbitrary and exorbitant increase in lake freight tariff from time to time, particularly in the heavy crop moving season, is that there undoubtedly exists a combination among the owners of lake steamship vessels. It is stated As a matter of fact more than 60% of the Canadian vessels

are controlled by one firm.

The reason given for the cheaper freight rate from Fort William to Buffalo is that in this traffic Canadian vessels must meet the competition of American vessels. In the Fort William-Colborne, or Fort William-Midland traffic, Canadian vessels have the monopoly as American vessels are debarred from this trade by our coasting laws which forbid a foreign vessel doing a carrying trade between Canadian ports. The effect of the lower rate to Buffalo, of course, is to divert grain traffic which would normally go through Canadian ports, to American ports, causing a considerable loss of revenue to Canadian firms.

The effect of the high rates for grain traffic on the Great Lakes is undoubtedly to depress the price received by the western farmer. The price of grain in Winnipeg is ultimately fixed by the price of grain on the Liverpool market. The producer must ultimately pay the freight charges, and all other charges assessed against the handling of grain. What the farmer should receive is the Liverpool price, less legitimate handling charges between the farm and Liverpool. If these charges are excessive it must lessen the price received by the farmer.

A further grievance in connection with lake transportation has arisen in connection with the practice of all space on steamships being handled by brokerage firms, which also do an insurance business. Persistent complaint has been made that brokerage firms have refused to sell space to shippers unless the shippers also bought their insurance from the brokerage firm, as well as the required space. When both freight and insurance are at exorbitant

rates and no real competition exists, it becomes a heavy load for the grain producer to carry.

In 1923 an attempt was made by the Canadian Government to remedy the situation. Legislation was passed compelling the Lake Steamship companies to file their rates with the Board of Grain Commissioners, thus making public a fixed rate which could be relied upon and taken into consideration when fixing the price. The Minister of Trade and Commerce in bringing forward the legislation made it clear that if the rates were not fair, steps would immediately be taken to suspend the coasting laws and bring in the factor of American competition. The legislation has been a complete failure and has been abandoned, due, it is said, to the inability to compel American vessels to file their tariffs with the Board of Grain Commissioners. The Canadian companies protested, and with good reason, that they should not be compelled to file and make public their rates when their competitors were not so compelled. It would appear that the publicity given to the whole matter and the threat of the Minister of Trade and Commerce to suspend the coasting laws, may have had some effect. At any rate there has been much less complaint since 1923.

Ocean Transportation.

Much less complaint has arisen in connection with ocean freight rates for grain than has been the case with lake freight rates for the same commodity. In spite of the fact that there is an North Atlantic Shipping Combine which pretty nearly controls

North Atlantic freight rates, the non-perishable character of wheat and its capacity for being used as ballast for vessels doing other lines of carrying work, has invited the competition of the tramp steamer. This competition has undoubtedly helped to keep ocean freight rates at a comparatively reasonable level.

It is clear at any rate that the ocean freight rate for grain has not in any way been brought about by the active competition of the Canadian Merchant Marine, owned and operated by the Canadian Government. It was brought out in the evidence given before the Select Standing Committee of Parliament at Ottawa that the Canadian Merchant Marine were represented at the weekly meetings of the North Atlantic Shipping Combine and subscribed to the freight rates fixed there.

It was further proven that the government owned boats carried American flour for fifteen cents per hundred weight and Canadian flour from and to the same ports for nineteen cents per hundred weight.

A proposal is before the Federal House at the present time to grant an annual subsidy of $1,375,000 for ten years or more, to the company of which Sir William Peterson of London, is the head. In return for the subsidy Sir William Peterson undertakes to supply ten ships of an average tonnage of 10,000 tons each, which will carry Canadian exports and imports at a rate lower than the current freight rates. In other words the proposal has been brought before the Dominion Parliament by the present government to lower the existing freight rates by throwing the burden on the country as a whole, instead of upon the exporters and importers.

In the absence of reliable information it is difficult to form any judgment in this matter of the control of shipping combines, largely international in their ownership and operation. It seems clear, however, that since the Canadian Merchant Marine, a fleet of sixty vessels, owned and operated by the Government, had no effect on the North Atlantic Shipping Combine, it is more than improbable that a line of ten vessels, subsidized by the same government, would have any effect.

The Hudson's Bay Road: One other venture of the Government in connection with ocean transportation remains to be discussed, namely, the Hudson's Bay Railroad. This road was begun by the Government of Canada in 1911; it was interrupted by the war and has not since been touched. When completed the route from, say Saskatoon, a central point in Western Canada, to Liverpool, will be shortened by approximately 1200 miles. At present the route from Saskatoon to Fort William is 905 miles by rail; from Fort William to Montreal by lake is 1217 miles; from Montreal to Liverpool is 2760 miles by ocean. Reduced to the common denominator of ocean freight miles, Saskatoon is at present 14,150 miles from Liverpool, the ultimate market for the chief export commodity of Western Canada.

Upon the completion of the Hudson's Bay Railroad, and the inauguration of ocean traffic to Liverpool, the distance from Saskatoon to Port Nelson will be 712 miles, (approximately) by rail. From Port Nelson to Liverpool will be 2960 miles. Reduced to the common denominator of ocean freight miles, Saskatoon will be 7860 miles from Liverpool, or a saving of 6290 ocean freight miles.

If the cost of rail haul per mile to Hudson's Bay remained the same as per mile to Fort William, and if the cost of ocean carriage from Port Nelson to Liverpool were the same per mile as from Montreal to Liverpool, freight charges would be very nearly cut in two. On the other hand grain going out by way of Hudson's Bay would have to remain in storage at Port Nelson until navigation opens in the spring. Special lines of ocean going vessels capable of doing considerable ice-breaking would probably have to be constructed. Insurance rates over the proposed Port Nelson-Liverpool route would necessarily be much higher. The question of whether the proposed route would benefit the producer of grain is one which actual trial alone will demonstrate. On the one hand there seems no doubt but that capitalistic interests of Eastern Canada are exerting their influence to prevent the completion of the Hudson's Bay Road. It is equally clear that no private interest is at all anxious to take over the project, which seems rather a strong proof of its impracticability.

Investigation, Research and Education.

Professor Theodore Macklin of the University of Wisconsin, in his book "Efficient Marketing for Agriculture" has this to say in relation to the function of government in relation to marketing: "The chief duty of government in the long run in relation to marketing, is to educate all classes to a real comprehension and appreciation of the economic principles upon which marketing itself is founded. All other phases of government action in connection with marketing must fall short of the mark until people generally understand what marketing is and does. Constantly changing conditions and methods require continuous investigation. The informa-

tion thus discovered, however, can become effective only through education. Without education in its various forms such as demonstrations, extension work of all kinds, and widespread teaching of marketing facts in the schools, no important part of the people can ever gain that knowledge or understanding of the economic principles of marketing which are essential to improvement."

"No individual group can attempt to give the public strictly unbiased facts for any important length of time. Competitive conditions do not permit it. Trade relations prohibit the disclosure of the most vital facts. As a consequence most private or co-operative educational matter must, in the long run, tend toward propaganda rather than education. Class interests usually try to dominate. The coloring which this gives tends to neutralize the strictly educational value of so-called educational publicity, a tendency which further emphasizes the necessity for the promotion by government of marketing education and the dissemination of accurate marketing information."

Investigational work at present carried on by the Government of Canada consists almost entirely of the investigation of complaints by the Board of Grain Commissioners. From time to time as dissatisfaction with our wheat marketing system arises and complaints come in from individual farmers or from organized bodies of farmers, the Board of Grain Commissioners hold sittings and hear evidence from interested parties. Undoubtedly from time to time abuses are corrected and improvements made, but it is unreasonable to suppose that any fundamental or far reaching improvements will be brought about in this way. It is unreasonable to suppose that a small board, charged with the administration of the Canada Grain Act, responsible for the departments of inspection, weighing, registration and statistics; responsible for the construction

and operation of public government owned terminals, and responsible for the judicial work of investigating complaints, will have either time or inclination to independently investigate the whole system of marketing.

Supplememtary to the work of the Board of Grain Commissioners in the investigation of grievances, special and royal commissions have from time to time been appointed by the Dominion and various provincial governments.

In 1897 there was an investigation into the grain trade by a special committee of the House of Commons.

In 1899 the Federal Government created a Royal Commission to investigate the marketing of grain. As a result the Manitoba Grain Act was passed in 1900, an act which for the first time subjected the grain business to government control and supervision.

In 1906 the Federal Government created a second Royal Commission on the marketing of grain. As a result the Manitoba Grain Act was amended and the control over the grain business extended and made more detailed and comprehensive.

In 1907 the Manitoba Government prosecuted the grain trade in the courts for conspiracy. The complaints and charges of the producers were sifted in the courts and tested by the rules of evidence. The verdict of the court after the fullest possible enquiry was to vindicate the grain trade of the charge of conspiracy in restraint of trade.

In 1910 the Saskatchewan Government created a Royal Commission to investigate the country elevators. Farmers of Saskatchewan had been clamoring for government ownership and operation of the grain marketing system, including local and terminal

elevators. The findings of the Commission revealed that government middlemen could not hope to compete with either private or co-operative effort in this particular because of poorer facilities and support. In a constructive manner co-operative ownership and operation of an elevator system was recommended as a means of consolidation and further improvement, instead of a stateowned system. The success of the Saskatchewan Elevator Company, which was formed with government assistance, as a result of the report has proven the wisdom of the findings of the Commission.

In 1914 the Saskatchewan Government created a second Royal Commission on Grain. The body investigated the handling and marketing of grain generally and more particularly those phases of it that lie outside of the Province of Saskatchewan. No action was taken as a result of the findings of the Commission.

In 1917 the Dominion Government ordered a special investigation into the lake terminal elevators by Price Waterhouse & Company, the well-known firm of Chartered Accountants.

In 1921 the Province of Saskatchewan commissioned two men, James Stewart and F.M.Riddell, to report on the pool system of handling wheat. The general recommendations of Messrs Stewart and Riddell were to the effect that the most perfect form of central wheat selling agency could be created at the present time, only under the control of a national organization. They further recommended that in considering any form of wheat marketing pool involving less than complete national control, one based on voluntary co-operative effort on the part of the producer was preferable to one bound by the provisions of a legal contract. Neither

of these recommendations have been followed by either the government interest or by the co-operative organizations that have formed the wheat pools.

In 1921 the Dominion Government created a Royal Inquiry Commission to investigate the handling and marketing of grain from the country elevator to lake and ocean shipment of grain. Considerable dissatisfaction and criticism arose over the fact that the Board of Inquiry included a member of the Board of Grain Commissioners, the Board responsible for administering the Canada Grain Act, and therefore the operation of the Board of Grain Commissions could not be included in the inquiry. Objection was further raised by the United Grain Growers, Limited, that the Commission had been appointed for political purposes and information gained from inquiry into farmers' organizations was being used prior to general elections to discredit the said farmers' organizations in the eyes of the electors. Whatever may have been the truth of these charges, the United Grain Growers, Limited made application to the courts for an injunction to stay the inquiry of the Commission on the grounds that the investigation was ultra vires. The injunction was granted and the inquiry was dropped.

In 1923 the Federal Government appointed a Royal Commission to inquire into freight rates charged by the lake shippers for the transportation of wheat. Acting a few months later on the report of the commission, Parliament gave the Executive Council power to suspend the coasting laws, with a view to introducing American competition when necessary, in the interests of the shipper of grain. The other provision of the

resolution dealing with the findings of the Commission gave the Board of Grain Commissioners power to control lake freight rates. The last provision proved to be entirely useless so far as controlling rates is concerned.

In 1923 the Federal Government appointed a Royal Commission to inquire into the grain trade of Canada. The findings of the Commission, which was given the usual wide powers, were to serve as the basis of improvement of present legislation. This Commission, under the chairmanship of Judge Turgeon, investigated every phase of the grain trade and made many recommendations for improvement. As the full report of the Commission has only been made available within the past few weeks, it is premature to offer any comment on the effect of these recommendations may have. The general view of this report seems to be that it is the best description yet published of our grain trade, but controversial questions are still unsettled.

It is evident that the briefest possible review of the work of government commissions and Boards of Inquiry, that much valuable information relative to our grain trade has been brought to light, and many amendments and improvements made to the Canada Grain Act and the grain marketing system as a whole. It also seems clear, however, that if the nature of the grain business warrants such frequent and expensive commissions for the purpose of investigating and recommending, there should be a warrant for establishing a permanent markets department, whose business it would be to permanently investigate, educate and recommend improvements. The methods of investigating by means of a board or commission made up of men not specially familiar with the business

under investigation, and gathering their information by means of public hearings when interested parties come forward and offer evidence, seems a very desultory and inadequate way of investigating and improving a business of such public importance as the grain business of Canada. There seems to be a field of work for a trained body of experts constantly investigating and giving publicity to their findings. The field of marketing and economics generally is in need of systematic research by state endowed, if not controlled institutions, just as much as other fields of endeavour. It is, for instance, as much to the interest of the producer of wheat that the marketing of wheat be investigated as that the diseases of wheat, rust and blight be investigated.

The only other considerable service performed by the government of an investigational nature in connection with the marketing of wheat, is that of gathering, compiling and publishing crop estimates. It is obvious that on account of its effect on daily price fluctuations it is essential that these estimates be gathered in an efficient and unbiased manner. Crop estimating by the government is not developed in Canada to anything like the extent it is in the United States. Our government reports are gathered by provincial departments of agriculture based on estimates sent in by many different correspondents. Some of these correspondents believe they are doing good work for their own community by "boosting" crop prospects. Others believe that they can best serve the cause of the farmer by underestimating. It is fair enough to assume that estimates based on such data do not possess a

high degree of reliability. This is borne out by the attitude of the grain trade which still puts more faith in the crop report of private agencies, such as that of the Manitoba Free Press, than in government estimates.

In connection with the work of investigation, publicity and education, which should undoubtedly be carried on by the Federal Government as the only entirely disinterested nad unbiased party. It is interesting to note what is being done in the United States by their Federal Government.

An Office of Markets, as part of the Department of Agriculture, was established in 1913. In the Year Book of 1916 the Secretary of Agriculture states: "Beginning with a modest sum ($50,000), the appropriation for this office, including those for enforcing new laws to promote better marketing, have increased to $1,242,000. To-day the nation possesses in the Department the largest and best trained staff of experts dealing with the distribution of agricultural commodities to be found anywhere in the world. It is engaged in investigating all the larger and more difficult problems confronting the farmer in the field of marketing: The Office of Markets has now become a Bureau of Agricultural Economics, taking over the Bureau of Crop Estimates and the Office of Farm Management.

"The Bureau makes a study of all problems in the field of marketing, including transportation, cold storage, grading, accounting, financing and the relative merits of private and co-operative enterprise, giving widest publicity to its findings. Special attention is given to foreign markets and to foreign customs and preferences, a policy which Germany per-

sistently followed in the successful development of markets before the war."

It is obvious that work of this kind, if it is to react to the benefit of the nation at large, consumers as well as producers, must be carried on by the government. No private or co-operative organisation has the incentive, the vision or the funds necessary. Such a service cannot, of course, be made to pay for itself. It justifies itself in improved methods of marketing and increased general well-being in the economic field.

That there is need of such investigational work in Canada, there can be no doubt. The question as to what effect the practice of "mixing" wheat at Fort William has on the grade and therefore the price paid in Liverpool, and ultimately the price paid to the farmer, has never been adequately investigated. The method of investigating by a Royal Commission will never disclose the true facts. Only the exporters in the grain trade have the necessary technical knowledge necessary to give even a fair guess, and if the practice is profitable, their testimony, even under oath, will be coloured accordingly.

Conclusion.

Sufficient has been set down to show that from the time the farmer delivers his wheat at the country shipping point, until his wheat arrives at Liverpool, the government plays a very large and important part. Every step of the progress of the wheat is under government regulation inspection or control, and in several important phases the government actually steps in and performs the necessary function itself, either as a monopoly or in compe-

tition with private enterprise.

The general verdict of an interested public seems to be that inspection and control of weighing, handling, buying and selling grain by government agency has been absolutely necessary, and has been productive of excellent results. In the actual physical handling of grain a system had been established which for cheapness and efficiency of handling is not surpassed anywhere. Malpractices in the handling of grain and failures of companies to meet their obligations are remarkably few, considering the volume of grain handled and the numbers engaged in the trade.

In the matter of fixing rates, tariffs and charges, the government seems to have been successful with the railroads, elevator companies and commission houses, but have failed so far to adequately or permanently control lake freight rates.

In the matter of actually performing necessary functions of marketing, the interference of government has not been so beneficial. It is true that the inspection and grading is carried out successfully by government and in the nature of the service it would appear that the service must be carried out by an impartial third party- when the widest confidence is possible in regard to integrity and ability. In this connection, however, it is interesting to note that the grading of their own products is carried out successfully by the large co-operative associations of the United States, notably the Citrus Fruit Growers and the Burley Tobacco Growers.

In the other departments of the grain trade where the government has actually entered into competition with private enterprises, the result has not tended to encourage the growth

of government ownership and operation. The venture of the Manitoba Government in purchasing a line of country elevators in 1910 was a complete failure, and the government was very glad to lease them after a short time to the United Grain Growers. The ownership and operation of railways has proven to be a burden to the country and a very material assistance to the privately owned railroads. The position of the Canadian National Railways, under the management of Sir Henry Thornton, seems to be improving, but the ultimate success of the venture has yet to be proven.

The ownership and operation of public terminal elevators has not been a marked success, and these elevators have not succeeded in attracting even their fair share of the total business. The venture in ownership of a merchant marine seems also to be meeting with more public criticism than approval.

In the field of investigation and education, the one more properly belonging to government than any other, very little of a systematic nature has been done. The importance of agriculture, the numbers of persons interested, the opportunities where the nature of the grain trade gives to a comparatively few men, makes it essential that this phase of government activity be developed to a far greater extent than is the case at present.

A survey of the whole field of governmental activity in connection with the marketing of wheat bears out the view of that the proper function of government here lies in regulation, inspection and control of private and co-operative enterprise,

along with continuous investigation and research into better methods of marketing in the interests of the general public. Government ownership and operation has been tried in nearly all departments, country elevator, railroad terminal elevator and merchant marine. In every case the verdict is in favor of private or co-operative ownership adequately controlled.

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